

Message Text

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LIMDIS - FOR UNDER SECRETARY ROGERS FROM SORENSON

E.O. 11652: N/A

TAGS:ECON

SUBJECT: SEPTEMBER 28 SPEECH AT WHITE HOUSE

1. FOLLOWING IS A SECOND CUT OF YOUR SPEECH FROM S/P
FOR YOUR SEPTEMBER 28 MEETING AT THE WHITE HOUSE.
2. BEGIN TEXT. ONE OF THE MOST SIGNIFICANT DEVELOPMENTS
OF THE NINETEEN SEVENTIES HAS BEEN THE WAY IN WHICH
ECONOMIC PROBLEMS HAVE FORCED THEIR WAY TO THE TOP OF OUR
FOREIGN POLICY AGENDA.
3. FROM THE END OF WORLD WAR II UNTIL JUST A FEW YEARS
AGO THE WORLD ECONOMIC SYSTEM WAS GENERALLY ON AN OVERALL
UPSWING. IN RECENT YEARS, HOWEVER, THIS POST-WAR SYSTEM
BEGAN TO UNDERGO PROFOUND AND DISTURBING CHANGES. FIXED
EXCHANGE RATES, CENTERED AROUND THE DOLLAR, BROKE DOWN
AS UNDERLYING COMPETITIVE REALITIES CHANGED AMONG THE
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WORLD'S MAJOR TRADING COUNTRIES. THE WESTERN EUROPEAN
AND NORTH AMERICAN BUSINESS CYCLES, WHOSE ALTERNATING
RHYTHMS HAD CUSHIONED ONE ANOTHER'S RECESSIONS AND
ENCOURAGED ONE ANOTHER'S RECOVERIES, BECAME SYNCHRONIZED,

COMBINING WITH SHORTAGES IN INTERNATIONAL COMMODITIES TO PRODUCE INTERNATIONAL RECESSION AND INFLATION. THE SUBSEQUENT RECESSION WAS DEEPENED BY THE OPEC OIL PRICE RISE AND THE OIL EMBARGO WHICH GREETED SECRETARY KISSINGER

WHEN HE TOOK OFFICE. AND THESE ACTIONS, ASIDE FROM THEIR DIRECT ECONOMIC IMPACT, ENCOURAGED THE INCREASING NUMBER OF INDEPENDENT DEVELOPING NATIONS TO BELIEVE THAT THEY COULD ENFORCE WITH ECONOMIC SANCTIONS THEIR INCREASINGLY SHRILL DEMANDS FOR MORE OF THE WORLD'S WEALTH, OR SPECIFIC POLITICAL DEMANDS.

4. AMONG THE PRINCIPAL ELEMENTS OF TODAY'S INTERNATIONAL ECONOMIC ENVIRONMENT ARE:

-- TENSION BETWEEN THE FACT OF INCREASING ECONOMIC INTERDEPENDENCE, AND THE POLITICAL DESIRE TO ACT INDEPENDENTLY; - -

-- MOUNTING PRESSURE ON GLOBAL NATURAL RESOURCES, AND THE NEED TO MANAGE THEIR PRODUCTION AND DISTRIBUTION FOR THE BENEFIT OF ALL CONCERNED;

-- PRESSURES ON ALL GOVERNMENTS, INCLUDING OUR OWN, TO REGULATE INTERNATIONAL ECONOMIC ACTIVITY MORE EXTENSIVELY, COMBINED WITH THE NEED TO PRESERVE A GOOD CLIMATE FOR THE PRIVATE SECTOR WHOSE DYNAMISM IS LARGELY RESPONSIBLE FOR POST-WAR ECONOMIC PROGRESS;

-- THE RISE OF MULTIPLE CENTERS OF ECONOMIC POWER AND IDEOLOGY -- IN WESTERN EUROPE, JAPAN, EASTERN BLOC AND ALSO INCLUDING CERTAIN NATIONS IN ASIA, AFRICA, AND LATIN AMERICA -- WHICH MAKE IT MORE DIFFICULT, AND AT THE SAME TIME MORE NECESSARY, TO DEVELOP AN INTERNATIONAL CONSENSUS ON ECONOMIC POLICY. THE OTHER SIDE OF THIS COIN IS THAT AMERICANS HAVE A GREAT DESIRE TO LAY DOWN, OR AT LEAST SHIFT, SOME OF THE BURDENS OF WORLD LIMITED OFFICIAL USE
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LEADERSHIP. YET WE OURSELVES ARE NOT IMMUNE FROM INTERDEPENDENCE, AND WE MUST CONTINUE AN ACTIVE WORLD ROLE IN OUR OWN INTEREST, WITH A STYLE OF LEADERSHIP WHICH TAKES ACCOUNT OF THESE NEW REALITIES; AND

-- WORLD POVERTY AFFECTING LARGE NUMBERS OF PEOPLE AND GROWING PRESSURES TO REDUCE THE GAP BETWEEN RICH AND POOR.

5. THIS INTERNATIONAL ECONOMIC ENVIRONMENT IS THE CONTEXT IN WHICH THE UNITED STATES GOVERNMENT ESTABLISHES ITS POLICIES, AND WHICH SHAPES THE DEPARTMENT OF STATE'S OWN PERSPECTIVE. I WOULD LIKE TO TAKE FOUR ISSUES IN

WHICH WE HAVE HAD A PARTICULAR ROLE TO PLAY:

-- TRADE;

-- INVESTMENT;

-- NATURAL RESOURCES, INCLUDING FOOD, ENERGY, AND
OTHER COMMODITIES; AND

-- RELATIONS WITH THE THIRD WORLD OF LESS DEVELOPED
COUNTRIES.

6. TRADE. A RELATIVELY LIBERAL INTERNATIONAL TRADING
SYSTEM HAS SERVED AMERICA WELL THROUGHOUT MOST OF ITS
HISTORY. IT IS CONSISTENT WITH OUR OVERALL ECONOMIC
PHILOSOPHY AND, AS I INDICATED EARLIER, THE POST-WAR
INTERNATIONAL TRADING SYSTEM HAS SERVED THE WORLD WELL.
DESPITE THE STRAINS RECENTLY PLACED ON THAT SYSTEM AS A
RESULT OF THE RECESSION, THE DEPARTMENT HAS CONTINUED TO
BE A LEADING ADVOCATE OF IT. WE BELIEVE IN THE
INTERNATIONAL APPLICATION OF THE PRINCIPLE OF COMPARATIVE
ADVANTAGE; WE KNOW HOW OTHER COUNTRIES CAN RETALIATE
AGAINST RESTRICTIVE AMERICAN MEASURES, AND WE BELIEVE THAT
EXTENSIVE INTERNATIONAL ECONOMIC RELATIONS TEND TO
ENHANCE GOOD OVERALL INTERNATIONAL RELATIONS. WE HAVE
SUPPORTED REFORM OF THE INTERNATIONAL MONETARY SYSTEM,
CREATING MORE FLEXIBLE EXCHANGE RATES CAPABLE OF ABSORBING
SHIFTS AND SHOCKS; THE TRADE ACT OF 1974; AND THE PLEDGE
BY THE NATIONS OF THE ORGANIZATION OF ECONOMIC
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COOPERATION AND DEVELOPMENT NOT TO TAKE UNILATERAL
PROTECTIONIST ACTIONS.

7. THE CURRENT ARENA FOR TRADE LIBERALIZATION IS THE
SO-CALLED TOKYO ROUND OF MULTILATERAL TRADE NEGOTIATIONS
IN GENEVA UNDER THE AUSPICES OF THE GENERAL AGREEMENT
ON TARIFFS AND TRADE. WE HAVE TABLED A TARIFF-CUTTING
FORMULA, AS WELL AS PROPOSALS TO REDUCE NON-TARIFF
BARRIERS. BUT A NUMBER OF TOUGH ISSUES REMAIN. FOR
EXAMPLE, WE MUST ASSURE ACCESS FOR OUR AGRICULTURE
EXPORTS TO THE EUROPEAN COMMUNITY WHICH HAS AN INTRICATE
AND RESTRICTIVE COMMON AGRICULTURAL POLICY. AND MORE
IMPORTANTLY, WE MUST FIND WAYS TO INTEGRATE THE
DEVELOPING NATIONS AS FULL MEMBERS OF THE GATT SYSTEM.

8. INVESTMENT. MEANWHILE, INTERNATIONAL PRIVATE
INVESTMENT IS GROWING EVEN FASTER THAN INTERNATIONAL
TRADE. FOR INDUSTRIAL DEMOCRACIES, IT IS AN INCREASING
STIMULUS TO GROWTH. FOR DEVELOPING COUNTRIES, IT FAR
EXCEEDS GOVERNMENT-TO-GOVERNMENT AID AS A SOURCE OF

DEVELOPMENT CAPITAL. NEVERTHELESS, ECONOMIC NATIONALISM, AND, IN SOME COUNTRIES, MARXIST PREJUDICE AGAINST PROFIT, HAVE CREATED PROBLEMS IN RECENT YEARS FOR U.S. MULTINATIONALS, AND DISCOURAGE NEW INTERNATIONAL

INVESTMENT. RECENT REVELATIONS OF ILLICIT PAYMENTS AND INVOLVEMENT IN LOCAL POLITICS BY MULTINATIONAL CORPORATIONS HAVE FURTHER POLLUTED THE ATMOSPHERE FOR INTERNATIONAL INVESTMENT.

9. THE STATE DEPARTMENT SUPPORTS THE U.S. POLICY IN FAVOR OF A LIBERAL INTERNATIONAL INVESTMENT CLIMATE, ONE WHICH AVOIDS EXCESSIVE GOVERNMENT CONTROL. WE DO THIS BECAUSE WE MUST DEFEND THE INTERESTS OF AMERICAN BUSINESS OVERSEAS; BECAUSE WE ARE CONVINCED THAT INTERNATIONAL INVESTMENT STILL OFFERS THE BEST PROSPECTS FOR ECONOMIC GROWTH IN THE DEVELOPING COUNTRIES; AND BECAUSE SUCH A LIBERAL INVESTMENT CLIMATE IS CONSISTENT WITH OVERALL AMERICAN LIBERAL IDEOLOGY.

10. IN JUNE OF THIS YEAR, THE COUNTRIES OF THE
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ORGANIZATION OF ECONOMIC COOPERATION AND DEVELOPMENT AGREED ON A COMPREHENSIVE SET OF VOLUNTARY GUIDELINES FOR THE BEHAVIOR OF MULTINATIONAL CORPORATIONS. WE BELIEVE THAT THE NEXT STEP IS TO EXTEND THIS CONSENSUS ON GROUND RULES TO THE LESS DEVELOPED COUNTRIES. AT THE SAME TIME WE HAVE INITIATED WORK IN THE UN TO DEVELOP A TREATY GOVERNING ILLICIT PAYMENTS. WE ALSO SUPPORT INTERNATIONAL INVESTMENT INSURANCE SCHEMES, AND PROMPT NEGOTIATIONS OF EXPROPRIATION CASES OR OTHER MEANS OF SETTLING INVESTMENT DISPUTES, IN ORDER TO MAINTAIN A BETTER CLIMATE FOR THE CONTINUED FLOW OF FOREIGN INVESTMENT.

11. NATURAL RESOURCES. THE PROBLEMS OF PRODUCTION AND DISTRIBUTION OF GLOBAL NATURAL RESOURCES -- FOOD, ENERGY, AND OTHER COMMODITIES -- HAVE BECOME INCREASINGLY DIFFICULT, SINCE THEY ARE PERCEIVED AS CENTRAL IN THE CONFLICT BETWEEN INDUSTRIALIZED AND DEVELOPING NATIONS. THE STATE DEPARTMENT HAS DONE ITS SHARE IN NATURAL RESOURCE POLICY-MAKING.

12. WITH RESPECT TO FOOD, THE U.S. HAS REMOVED ALL CONSTRAINTS ON DOMESTIC PRODUCTION; ENCOURAGED THE CREATION OF AN INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT TO STIMULATE INCREASED FOOD PRODUCTION IN DEVELOPING COUNTRIES; PROPOSED A SYSTEM OF INTERNATIONALLY COORDINATED, NATIONALLY-HELD GRAIN RESERVES TO AVOID SHORTAGES AND FAMINE, AND NEGOTIATED

A LONG-TERM GRAIN SALES AGREEMENT WITH THE SOVIET UNION WHICH WILL HELP TO STABILIZE WORLD GRAIN MARKETS, AS WELL AS U.S. CONSUMER PRICES AND FARM INCOME.

13. IN THE FIELD OF ENERGY, THE DEPARTMENT OF STATE HAS BEEN ENCOURAGING GREATER COOPERATION AMONG THE INDUSTRIALIZED NATIONS WHO ARE THE PRINCIPAL IMPORTERS OF OIL -- IN CONSERVATION PROGRAMS AND RESEARCH AND DEVELOPMENT OF ALTERNATIVE SOURCES. WE HAVE ALSO BEEN CULTIVATING BILATERAL RELATIONS WITH SOME OF THE PRINCIPAL OIL EXPORTERS -- NOTABLY IRAN AND SAUDI ARABIA -- THROUGH THE ESTABLISHMENT OF JOINT COMMISSIONS, WHICH ARE PARALLELED BY JOINT BUSINESS LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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COUNCILS. WE HOPE THAT THESE RELATIONSHIPS WILL GIVE THESE COUNTRIES A GREATER STAKE IN THE PRESERVATION OF THE INTERNATIONAL ECONOMIC SYSTEM.

14. WITH RESPECT TO OTHER COMMODITIES, SECRETARY KISSINGER HAS PROPOSED THE ESTABLISHMENT OF AN INTERNATIONAL RESOURCES BANK, LINKED WITH THE WORLD BANK, WHICH WOULD DEAL WITH THE PRINCIPAL PROBLEMS CONNECTED WITH INVESTMENT, PRODUCTION, SALES, AND ACCESS TO MARKETS AND SUPPLIES, OF RAW MATERIALS. WE ARE ALSO PREPARED TO MEET ON A COMMODITY-BY-COMMODITY BASIS WITH MAJOR PRODUCERS AND CONSUMERS, TO IMPROVE THE FUNCTIONING OF INDIVIDUAL COMMODITY MARKETS.

15. RELATIONS WITH THE DEVELOPING NATIONS. OVER THE PAST DECADE THE DEVELOPING COUNTRIES HAVE BECOME INCREASINGLY AGGRESSIVE IN DEMANDING MORE OF THE WORLD'S WEALTH. THEIR DEMANDS HAVE BEEN BOLSTERED BY THEIR HUGE MAJORITIES IN INTERNATIONAL CONFERENCES, WHICH REGULARLY PASS RESOLUTIONS WHICH ARE UNENFORCEABLE, UNWORKABLE, AND INFLAMMATORY TO PUBLIC OPINION IN THE DEVELOPED COUNTRIES.

16. DESPITE THEIR RHETORIC, THE U.S. HAS OVER THE PAST FEW YEARS BECOME INCREASINGLY SENSITIVE TO THE REAL PROBLEMS OF UNDERDEVELOPMENT, FROM WHOSE ECONOMIC AND POLITICAL CONSEQUENCES NOT EVEN WE CAN ESCAPE. THE DEPARTMENT OF STATE HAS BEEN IN THE FOREFRONT OF U.S. GOVERNMENT AGENCIES IN ADVOCATING A MORE CONSTRUCTIVE AND FORTHCOMING ATTITUDE. THE GOVERNMENT HAS SUPPORTED THE EXPANSION OF EXISTING FACILITIES SUCH AS THE WORLD BANK, REGIONAL DEVELOPMENT BANKS, AND THE INTERNATIONAL MONETARY FUND'S COMPENSATORY FINANCING FACILITY. WE HAVE BACKED NEW FACILITIES SUCH AS THE IMF TRUST FUND AND THE NEW INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT. IN THE AREA OF TRADE, WE HAVE ESTABLISHED

A GENERAL SYSTEM OF PREFERENCES FOR CERTAIN IMPORTS
FROM A LONG LIST OF DEVELOPING COUNTRIES AND
TERRITORIES, AND AT THE MULTILATERAL TRADE NEGOTIATIONS

WE HAVE BEEN SUPPORTING SPECIAL PROVISIONS FOR TROPICAL
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PRODUCTS AND FOR PROCESSED RAW MATERIALS, IN ORDER TO
ENCOURAGE THE INDUSTRIALIZATION OF THE POORER COUNTRIES
WHICH ARE COMMODITY PRODUCERS. IN SHORT, WE HAVE SOUGHT
PRACTICAL SOLUTIONS TO REAL PROBLEMS, WHICH CAN BE
SOLVED THROUGH THE EXISTING INTERNATIONAL MARKET SYSTEM.

17. BUT THE STATE OF OUR RELATIONS WITH THE THIRD WORLD
REMAINS UNEASY. THE THIRD WORLD CONTINUES TO PRESS SOME
OF ITS MORE DOCTRINAIRE DEMANDS SUCH AS AN
INTERNATIONALLY FUNDED NETWORK OF COMMODITY AGREEMENTS,
THE INDEXATION OF RAW MATERIALS PRICES TO INDUSTRIAL
GOODS PRICES, SWEEPING MORATORIA ON DEBT, NATIONAL
REGULATION OF AND DISCRIMINATION AGAINST MULTINATIONAL
INVESTORS. WE CONTINUE TO BELIEVE THAT SUCH DEMANDS
ARE NOT ONLY NOT IN OUR INTEREST OR THAT OF THE OTHER
INDUSTRIALIZED COUNTRIES, BUT ALSO SHARPLY CONFLICT
WITH REASONABLE RESPONSES TO THE PROBLEMS OF
UNDERDEVELOPMENT.

18. THE STATE DEPARTMENT BELIEVES THAT EFFORTS TO
SUSTAIN THE NORTH-SOUTH DIALOGUE MUST ASSUME A HIGH
PRIORITY OVER THE NEXT YEAR. WE BELIEVE THAT THERE
ARE MANY AREAS WHERE OUR INTERESTS AND THOSE OF THE
DEVELOPING WORLD COINCIDE. THE SEARCH FOR A
CONSTRUCTIVE RESPONSE TO THE NEEDS OF THE DEVELOPING
WORLD -- ONE WHICH, IS AT THE SAME TIME, CONSONANT WITH
OUR GLOBAL ECONOMIC INTERESTS -- WILL BE AN IMPORTANT
OBJECTIVE OF UNITED STATES FOREIGN ECONOMIC POLICY IN
THE PERIOD IMMEDIATELY AHEAD. END TEXT.

19. BOTH CHUCK FRANK AND I WILL WORK ON A THIRD CUT
TO HAVE READY TOMORROW UPON YOUR RETURN. ROBINSON

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